Analyze the macro economics essay

Economics

1. Suppose that changes in bank regulations expand the availability of credit cards so that people need to hold less cash. If the central bank does not respond to this event, what will happen to the price level? Use a diagram to assist in answering this question. 2. Use the loanable funds model to explain what happens to interest rates and investment if a government moves from a balanced budget position to a budget surplus. 3. Suppose that the T-account for The Open Campus National Bank (OCNB) is as follows: Assets Reserves $100, 000

Loans 400, 000 (a) If the central bank requires to hold 5% of deposits as reserves, how much in excess reserves does ONCB now hold? (b) If ONCB decides to reduce its reserves to only the required amount, by how much would the economy'smoneysupply change? 4. (a) Explain the adjustment process that creates a change in the price level when the money supply increases essay writer online. (b) Explain with the aid of a diagram what happens to the money supply, money demand, the value of money, and the price level if the central bank increases the money supply. c) Explain with the aid of a diagram what happens to the money supply, money demand, the value of money, and the price level if people demand less money at every price level. 5. Liabilities Deposits $500, 000 If the central bank requires banks to hold 5% of deposits as reserves, how much in excess reserves does OCNB now hold? If OCNB decides to reduce its reserves to only the required amount, by how much would the economy’s money supply change? Explain the adjustment process that creates a change in the price level when the money supply increases.

Explain with the aid of a diagram what happens to the money supply, money demand, the value of money, and the price level if the central bank increases the money supply. Explain with the aid of a diagram what happens to the money supply, money demand, the value of money, and the price level if people demand less money at every price level. Explain, using diagrams, the effect on prices and output if: (a) farmers experience excellent growing conditions for a prolonged period. (b) households decide to spend a larger share of their income. 6.

Explain, using diagrams, what happens to the interest rate, consumption, investment, and aggregate demand if the central bank sells government bonds to the public. 7. Suppose commercial banks install ATMs at every supermarket and gas station and, by making cash readily available, reduce the amount of money people want to hold. (a) According to the theory of liquidity preference, what happens to the interest rate? What happens to aggregate demand? (Assume the central bank does not change the money supply.) (b) If the central bank wants to stabilise aggregate demand, how should it respond?